SENATE RECORD VOTE ANALYSIS

105th Congress — July 27, 1998, 5:33 p.m.
2nd Session — **Vote No. 236** — Page S-9031 Temp. Record

CREDIT UNION REFORM/Mandated Benefits for Non-Members

SUBJECT: **Credit Union Membership Access Act . . . H.R. 1151. Sarbanes motion to table the Gramm amendment No. 3336.**

ACTION: MOTION TO TABLE FAILED, 44-50

SYNOPSIS: As reported with a substitute amendment, H.R. 1151, the Credit Union Membership Access Act, will amend the Federal Credit Union Act to preserve all existing multiple bond arrangements, to limit the growth of future multiple bond credit unions to groups of less than 3,000 members, to cap the percentage of total credit union assets that may be lent in business loans at any one time, and to subject credit unions to capital requirements and a system of prompt corrective action.

The Gramm amendment would strike the sections that would impose "community reinvestment" mandates on credit unions. First, the bill will have the Federal Government regularly evaluate each credit union to see if it is "providing affordable credit union services to all individuals of modest means" within its "field of membership". ("Field of membership" refers to everyone eligible to join a credit union, not to the people who have actually joined.) Second, for community credit unions (which serve primarily low-income members in distressed and financially underserved areas), the bill will require annual reporting on how each credit union is "meeting the credit needs and credit union service needs of the entire field of membership of the credit union." Finally, the bill will condition an expansion of membership of a multiple common-bond credit union on its satisfactorily providing affordable credit union services to all individuals of modest means within its field of membership. (A "multiple common-bond credit union" refers to a credit union comprised of more than one group of members; groups of members have a common bond of occupation, association, or community.)

Debate was limited by unanimous consent. After debate, Senator Sarbanes moved to table the Gramm amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

NOTE: Subsequent to the failure of the motion to table, the Gramm amendment was adopted by voice vote.

Those favoring the motion to table contended:

The Gramm amendment would strike sections of this bill that are similar to the provisions of the Community Reinvestment Act

(See other side)

YEAS (44)

Republicans (3 or 6%)	Democrats (41 or 98%)	
Bond	Akaka	Kennedy
Jeffords	Baucus	Kerrey
Roth	Biden	Kerry
	Boxer	Kohl
	Breaux	Landrieu
	Bryan	Lautenberg
	Byrd	Leahy
	Cleland	Levin
	Conrad	Lieberman
	Daschle	Mikulski
	Dodd	Moseley-Braun
	Dorgan	Moynihan
	Durbin	Murray
	Feingold	Reed
	Feinstein	Reid
	Ford	Robb
	Glenn	Rockefeller
	Graham	Sarbanes
	Hollings	Torricelli
	Inouye	Wellstone
	Johnson	

NAYS (50)

Republicans (49 or 94%)		Democrats (1 or 2%)
Abraham	Hutchinson	Bumpers
Allard	Hutchison	
Ashcroft	Inhofe	
Bennett	Kempthorne	
Brownback	Kyl	
Burns	Lott	
Campbell	Lugar	
Chafee	Mack	
Coats	McConnell	
Cochran	Murkowski	
Collins	Nickles	
Coverdell	Roberts	
Craig	Santorum	
D'Amato	Sessions	
DeWine	Shelby	
Enzi	Smith, Bob	
Faircloth	Smith, Gordon	
Frist	Snowe	
Gorton	Specter	
Gramm	Stevens	
Grams	Thomas	
Grassley	Thompson	
Gregg	Thurmond	
Hagel	Warner	
Hatch		

NOT VOTING (6)

Republicans (3)	Democrats (3)
Domenici-[2]	Bingaman-[2]
Helms-[3AN]	Harkin-[4AY]
McCain-[2]	Wyden-[2]

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

(CRA). Those sections were drafted to make certain that credit unions paid full attention to their full fields of membership. The CRA has been a very successful regulatory program. It has resulted in hundreds of billions of dollars being invested in local communities. Those loans are still made under all of the other rules regarding safety and soundness--in other words, the CRA may contain mandates, but those mandates are for banks to expand their businesses into their local communities and to make money. There have been high regulatory costs, but those costs have been substantially cut in recent years. Credit unions have access to Federal deposit insurance, which is a significant benefit. In light of that benefit, we do not believe that it is too much to ask that they make loans to everyone within their fields of membership, whether they are members or not. Therefore, we oppose the Gramm amendment.

Those opposing the motion to table contended:

Credit unions are voluntary, democratic, nonprofit organizations. Members pool their savings, and make loans available to each other out of those savings. In many cases, they provide credit that would not be available from any other source, and at rates that are better than can be offered than from any other source. They are not in the business of promoting any broad, general purposes, such as the redistribution of income throughout a community. Their whole purpose, their reason for being, is to pool their nickels, dimes, and dollars to build a cash base that can be lent to members for such things as buying new cars. This bill, though, in three separate places will order credit unions to loan money to non-members. To the extent that they are forced to comply with those mandates, there will be less money for credit union members to borrow. That money, which is the credit union members and which they have pooled for their own benefit, will be loaned instead to non-members on the orders of the Federal Government. First, the bill will have the Federal Government regularly evaluate each credit union to see if it is "providing affordable credit union services to all individuals of modest means" within its "field of membership". "Field of membership" refers to everyone eligible to join a credit union, not to the people who have actually joined. A credit union is lucky if 20 percent of people who are eligible to join become members. Thus, if the workers in a company form a credit union, the 20 percent who join and pool their resources for their own benefit will be required to use their money to make loans to employees of "modest means" who chose not to join the credit union. No definition is given for "affordable services"; it will be up to Federal bureaucrats to interpret its meaning as they wish. Also, it is interesting that the bill does not merely require a credit union to try to make loans to these non-members--to meet the standard, they will actually have to be "providing" them. The next provision will impose a similar requirement on community credit unions. Community credit unions are typically formed in low-income areas and other areas in which credit is not generally available. They also are private membership organizations, run by their members, for the benefit of their members, and with their members own money. Why should people within a community who have pooled their resources in order to give themselves access to credit be forced to give people in the community who chose not to join access to that limited amount of credit? The final place in which this bill imposes a mandate on credit unions to loan money to non-members is the most sweeping. It will apply to both Federal and State multiple common-bond credit unions that use Federal deposit insurance. That insurance will be threatened unless a Federal regulator decides that a credit union is "satisfactorily providing affordable credit union services to all individuals of modest means within its field of membership" Again, no definitions are provided for "satisfactorily," "providing," or "affordable."

These mandates are very similar to the mandates under the CRA. The CRA orders banks to make loans in the communities in which they operate. Thus, a large, national bank that may have branches in a community and receive significant deposits from that community cannot simply provide interest on those deposits and loan all of its money in a few giant lumps elsewhere, such as in a few huge business loans or loans to state-affiliated enterprises in Vietnam or China. Small banks do not make loans outside of their communities; in fact, the only reason they are able to compete with large banks, with their economies of scale, is that they intimately understand the particular needs of their local communities and are thus able to provide services more tailored to meet those needs. However, small banks are just as regulated under the CRA as large banks. Compliance costs with regulations are always higher for small banks than for large banks, and CRA regulations have historically been among the most expensive and time-consuming. Making matters worse with the CRA, professional activists have abused the regulatory process in order to extort money out of banks. When banks want to expand, or merge with other banks, they can be stopped by CRA challenges that claim they have not complied with the CRA. It does not matter if they have had perfect CRA ratings from regulators, nor does it matter if they would eventually win those cases; the delays can cost them tens of millions of dollars. Typically, banks will pay blackmail to get those activists to drop their cases--they may give up a percentage of their profits, they may hire those activists to sit on advisory boards, and/or they may make payoffs to nonprofit organizations with which those activists are associated.

Some of us would like to reform the CRA; some of us think it should be eliminated. We agree, though, that it would be unjust to expand this concept to credit unions, which are private, voluntary member organizations, and which were made to serve members, not people who chose not to join. Therefore, we oppose the motion to table the Gramm amendment.